

Exhibit No.: _____
Application: A.22-09-015
Witness: Rose-Marie Payan
Chapter: 16

**PREPARED REBUTTAL TESTIMONY OF ROSE-MARIE PAYAN
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY**

(NGV Demand Forecast)

July 28, 2023

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1 **CHAPTER 16**

2 **PREPARED REBUTTAL TESTIMONY OF ROSEMARIE PAYAN**

3 **(NGV DEMAND FORECAST-SOCALGAS)**

4 **I. PURPOSE**

5 The purpose of my rebuttal testimony on behalf of Southern California Gas Company
6 (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (jointly, Applicants) is to address
7 the direct testimony of Mitchell W. Pratt on behalf of Clean Energy.

8 **II. BACKGROUND**

9 In my Direct Testimony, Applicants proposed selecting a 4-year historical period to be
10 characteristically representative of future expected growth in the natural gas vehicle (NGV)
11 market. Adoption of the 4-year period is a neutrally-chosen, appropriate time span for projecting
12 future expected growth, in a climate that exhibits ever-increasing regulatory oversight and
13 uncertainty.

14 Clean Energy was the only party to comment on Chapter 3 (Payan), the demand forecast
15 for the Core Markets for SoCalGas. In summary, Clean Energy states:

- 16 (1) the proposed G-NGV transportation rate is too high because “SoCalGas’s
17 methodology for determining the uncompressed NGV transportation rate relies on
18 understated projections of uncompressed volumes over 2024-2027”;¹ and
19 (2) The proposed G-NGV rate “is based on 2020 throughput reductions caused by the
20 COVID-19 22 pandemic”;² and
21 (3) Clean Energy proposes “the Commission should require SoCalGas to adjust its
22 NGV rate calculation to exclude 2020 volumes and base its forecast on an annual
23 growth rate of between 5% and 6%”.³

¹ Clean Energy Direct Testimony (Pratt) at 4:22-5:1.

² *Id.* at 4:22-23.

³ *Id.* at 5:4-6.

1 **III. REBUTTAL**

2 **A. SoCalGas And SDG&E Cannot Ignore State Regulation Drivers of NGV**
3 **Load**

4 Clean Energy incorrectly states, “SoCalGas’s actual and projected numbers...do not
5 appear to consider key growth factors that most likely will accelerate RNG truck adoption in
6 fleets that will operate in SoCalGas’s service territory” and “it is reasonable to expect higher
7 growth with the introduction of the Cummins ISX 15-liter natural gas engine (ISX 15) in 2024.”⁴
8 Although SoCalGas believes the introduction of new, future products and services for operators
9 of RNG trucks may increase volumes, we cannot ignore state regulations that may also decrease
10 volumes. For example, the California Air Resources Board Innovative Clean Transit regulation,
11 adopted in 2018, requires all urban transit fleets in California to transition to zero emission bus⁵
12 fleets by 2040.⁶ A percentage of all new purchases, beginning in 2023, are required through
13 2029 when 100% of all new purchases must be zero emission buses. Transit bus fleets currently
14 represent almost 38% of G-NGV volumes, so any decrease in transit volumes due to future
15 regulatory requirements are not reflected in historical volumes. Because transit bus volumes will
16 decline and currently constitute almost 38% of G-NGV volumes, it was determined that a more
17 modest growth rate would be appropriate for the G-NGV customer class.

18 **B. G-NGV Compression Rate Volumes**

19 Clean Energy incorrectly argues the proposed G-NGV compression rate adder is too low
20 because “SoCalGas’s methodology relies on unjustifiable projections for compressed volumes
21 over 2024-2027” and “is not reasonable because it is based on 2020 volumes.”⁷

22 In their testimony, Clean Energy asks, “How did utility stations manage the COVID-19
23 pandemic so much better than customer-owned stations?”⁸ Further, Clean Energy incorrectly
24 speculates that there are “other factors that could impact SoCalGas’s forecast of compressed

⁴ *Id.* at 17:4-9

⁵ Zero emission buses include battery electric buses and hydrogen fuel cell electric buses.

⁶ California Air Resources Board (CARB), *Innovative Clean Transit (ICT) Regulation Fact Sheet* (May 16, 2019), available at: <https://ww2.arb.ca.gov/resources/fact-sheets/innovative-clean-transit-ict-regulation-fact-sheet>.

⁷ Clean Energy Direct Testimony (Pratt) at 5:11-13.

⁸ *Id.* at 22:2-3.

1 volumes” such as the “increase in the number of public access stations” and “the LCFS credit
2 provided to public access customers.”⁹ The COVID pandemic disproportionately impacted the
3 movement of people, so any stations that served fleets such as transit buses or school buses
4 experienced declines in volume. SoCalGas is unaware of any significant (new) volumes at
5 utility public access stations from transit buses or school buses, so it was expected that this class
6 of volumes would not be adversely impacted. Further, new public access stations typically do
7 not reach full utilization for years as adjacent fleets do not immediately adopt natural gas
8 vehicles. So, although no new stations are being constructed, it is expected that volumes from
9 existing stations will continue to increase. Lastly, although the LCFS credit that is earmarked
10 and returned to customers will decrease, this is due to the planned changes in the LCFS
11 implementation plan described in Advice Letter 6024.¹⁰ A portion of the LCFS credit revenue
12 will not be returned to customers at the pump but through an LCFS fuel card program. The
13 utility expects growth to continue as this program is implemented and matures. Therefore, due to
14 all of these factors, SoCalGas asserts that historic growth was an appropriate method to forecast
15 future growth. Clean Energy’s objection to the compressed growth forecast is unfounded, should
16 be rejected, and SoCalGas’s Chapter 3 forecast should be adopted.

17 This concludes my prepared rebuttal testimony.

⁹ *Id.* at 22:7-15.

¹⁰ SoCalGas Advice Letter No. 6024, *Update to Low-Carbon Fuel Standard (LCFS) Program Implementation Plan* (August 25, 2022), available at: https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/submittals/GAS_6024.pdf.